

**Charter Township of Flushing**  
**Genesee County, Michigan**

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**Financial Report**  
**with Supplemental Information**  
**March 31, 2008**

# Charter Township of Flushing

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# Charter Township of Flushing

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## **Introductory Section**

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# **Charter Township of Flushing**

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## **List of Principal Officials**

Andrew Trotogot, Supervisor

Julia A. Morford, Clerk

Carl G. Liepmann, Treasurer

Ann L. Fotenakes, Trustee

Scott Minaudo, Trustee

Barry Pratt, Trustee

Ida M. Reed, Trustee

## **Financial Section**

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## Independent Auditors' Report

To the Honorable Members  
of the Township Board  
Charter Township of Flushing  
Genesee County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Charter Township of Flushing (the "Township") as of March 31, 2008 and for the year then ended, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Charter Township of Flushing as of March 31, 2008 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and the budgetary comparison schedules as identified in the table of contents are not a required part of the basic financial statements, but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and we express no opinion on it.

To the Honorable Members  
of the Township Board  
Charter Township of Flushing

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Charter Township of Flushing's basic financial statements. The introductory section and accompanying other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, accordingly, we express no opinion on it.

*Plante & Moran, PLLC*

August 27, 2008



## **Management's Discussion and Analysis**

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# **Charter Township of Flushing**

## **Management's Discussion and Analysis**

Our discussion and analysis of the Charter Township of Flushing's financial performance provides an overview of the Township's financial activities as of and for the year ended March 31, 2008. Please read it in conjunction with the Township's financial statements.

### **Financial Highlights**

As discussed in further detail in the discussion and analysis, the following represents the most significant financial highlights for the year ended March 31, 2008:

- The Township's total net assets are \$11.0 million, with unrestricted net assets of \$2.7 million.
- During the year, the Township's expenditures were \$17,416 more than the \$2,941,328 generated in taxes and other revenues for governmental funds.
- General fund revenues exceeded expenditures by \$104,670, which is better than anticipated by the final budget by \$113,735.

### **Overview of the Financial Statements**

This annual report consists of three parts - Management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the Township:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the Township's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the Township government, reporting the Township's operations in more detail than the government-wide statements.
  - \* The governmental fund statements tell how general government services like public safety and public service were financed in the short term as well as what remains for future spending.
  - \* Proprietary fund statements offer short- and long-term financial information about the water and sewer system that the government operates like a business.
  - \* Fiduciary fund statements provide information about the financial relationships where the Township acts as an agent, to whom the resources in question belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

# Charter Township of Flushing

## Management's Discussion and Analysis (Continued)

Table I summarizes the major features of the Township's financial statements, including the portion of the Township government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

**Table I - Major Features of the Charter Township of Flushing's  
Government-wide and Fund Financial Statements**

<b>Type of Statements</b>	<b><u>Government-wide</u></b>	<b><u>Governmental Funds</u></b>	<b><u>Proprietary Funds</u></b>	<b><u>Fiduciary Funds</u></b>
Scope	Entire Township government (except fiduciary funds)	The activities of the Township that are not proprietary or fiduciary, such as police, fire, and parks	Activities the Township operates similar to private businesses: the water and sewer system	Instances in which the Township is the trustee or agent for someone else's resources
Required financial statements	Statement of net assets Statement of activities	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of revenues, expenses, and changes in fund net assets</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Agency funds statement of assets and liabilities</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter, no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term, the Township's funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	Increases and decreases to assets and liabilities

# **Charter Township of Flushing**

## **Management's Discussion and Analysis (Continued)**

### **Government-wide Statements**

The government-wide statements report information about the Township as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the Township's net assets and how they have changed. Net assets - the difference between the Township's assets and liabilities - is one way to measure the Township's financial health or position.

- Over time, increases or decreases in the Township's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the Township, you need to consider additional non-financial factors such as changes in the Township's property tax base and the condition of the Township's roads.

The government-wide financial statements of the Township are divided into two categories:

- Governmental activities - Most of the Township's basic services are included here, such as the police, fire, public works, parks, and general administration. Property taxes and state and federal grants finance most of these activities.
- Business-type activities - The Township charges fees to customers to help it cover the costs of certain services it provides. The Township's water and sewer system is the only business-type activity.

### **Fund Financial Statements**

The fund financial statements provide more detailed information about the Township's most significant funds - not the Township as a whole. Funds are accounting devices that the Township uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by state law.
- The Township board establishes other funds to control and manage money for particular purposes.

The Township has three kinds of funds:

- Governmental funds - Most of the Township's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Township's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information on the subsequent page that explains the relationship (or differences) between the two sets of statements. The Township has the following governmental funds: General Fund, Law Enforcement Fund, Solid Waste Fund, Parks and Recreation Fund, Drug Law Enforcement Fund, Building Department Fund, and Community Development Fund.

# Charter Township of Flushing

## Management's Discussion and Analysis (Continued)

- Proprietary funds - Services for which the Township charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long- and short-term financial information. The Township has only one proprietary fund, the Water and Sewer Enterprise Fund. In fact, the Township's water and sewer enterprise fund (one type of proprietary fund) is the same as its business-type activities, but the Water and Sewer Fund financial statements provide more detail and additional information, such as cash flows.
- Fiduciary funds - The Township is the fiduciary for assets held on the behalf of others. The Township is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the Township's fiduciary activities are reported in a separate agency fund balance sheet. We exclude these activities from the Township's government-wide financial statements because the Township cannot use these assets to finance its operations.

### Financial Analysis of the Township as a Whole

#### Governmental Activities

The Township's governmental revenues were approximately \$3.0 million this year. Property taxes were \$1.16 million or 39 percent of the total revenues. State revenue sharing made up \$727,799 or 25 percent of the total revenue. The remaining 36 percent of governmental activity revenues are comprised mostly of charges for services, grants and contributions, and franchise fees.

#### Business-type Activities

Operating revenues (charges for services) of the Township's business-type activities increased \$75,411 from the prior year of \$1,075,554 to the current year total of \$1,150,965. Operating expenses decreased by \$224,936. The major factor contributing to the decrease in expenses from the prior year includes additional administrative costs from the General Fund for years 2000-2005, which increased prior year expenses by \$330,026, offset by a decrease in the depreciation in the amount of \$100,852 due to a change in useful lives and was a one-time increase made in prior year. Revenue from capital grants and contributions and unrestricted revenues decreased from \$652,927 in 2007 to \$111,013 in 2008. This decrease was due mainly to special assessments for two water lines and a donated sewer line made in the prior year.

#### Charter Township of Flushing's Net Assets

	Governmental Activities		Business-Type Activities		Primary Government	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Current and other assets	\$ 1,211,975	\$ 1,193,443	\$ 2,456,816	\$ 2,214,744	\$ 3,668,791	\$ 3,408,187
Capital assets	1,558,672	1,641,554	6,738,025	6,899,571	8,296,697	8,541,125
Total assets	\$ 2,770,647	\$ 2,834,997	\$ 9,194,841	\$ 9,114,315	\$ 11,965,488	\$ 11,949,312
Long-term liabilities						
outstanding	\$ 127,970	\$ 78,354	\$ -	\$ -	\$ 127,970	\$ 78,354
Other liabilities	632,834	629,790	151,660	149,467	784,494	779,257
Total liabilities	\$ 760,804	\$ 708,144	\$ 151,660	\$ 149,467	\$ 912,464	\$ 857,611

# Charter Township of Flushing

## Management's Discussion and Analysis (Continued)

### Charter Township of Flushing's Net Assets (Continued)

	Governmental Activities		Business-Type Activities		Primary Government	
	2008	2007	2008	2007	2008	2007
Net assets:						
Invested in capital assets, net of related debt	\$ 1,556,152	\$ 1,637,258	\$ 6,738,025	\$ 6,899,571	\$ 8,294,177	\$ 8,536,829
Restricted	16,806	36,453	-	-	16,806	36,453
Unrestricted	436,855	453,142	2,305,156	2,065,277	2,742,011	2,518,419
Total net assets	<u>\$ 2,009,813</u>	<u>\$ 2,126,853</u>	<u>\$ 9,043,181</u>	<u>\$ 8,964,848</u>	<u>\$ 11,052,994</u>	<u>\$ 11,091,701</u>

### Charter Township of Flushing's Changes in Net Assets

	Governmental Activities		Business-Type Activities		Primary Government	
	2008	2007	2008	2007	2008	2007
Revenues:						
Program revenues:						
Charges for services	\$ 794,576	\$ 1,097,748	\$ 1,150,965	\$ 1,075,554	\$ 1,945,541	\$ 2,173,302
Operating grants and contributions	106,843	217,738	-	-	106,843	217,738
Capital grants and contributions	-	18,707	24,500	560,857	24,500	579,564
General revenues:						
Property taxes	1,155,674	1,137,503	-	-	1,155,674	1,137,503
State-shared revenue	727,799	722,377	-	-	727,799	722,377
Other general revenue	156,797	107,403	86,513	92,070	243,310	199,473
Total revenues	<u>2,941,689</u>	<u>3,301,476</u>	<u>1,261,978</u>	<u>1,728,481</u>	<u>4,203,667</u>	<u>5,029,957</u>
Expenses:						
General government	\$ 807,021	\$ 834,121	\$ -	\$ -	\$ 807,021	\$ 834,121
Public safety	1,420,158	1,359,217	-	-	1,420,158	1,359,217
Public works	666,214	895,308	-	-	666,214	895,308
Recreation and culture	165,306	198,537	-	-	165,306	198,537
Sewer and water	-	-	1,183,645	1,408,581	1,183,645	1,408,581
Total expenses	<u>3,058,699</u>	<u>3,287,183</u>	<u>1,183,645</u>	<u>1,408,581</u>	<u>4,242,344</u>	<u>4,695,764</u>
Increase (decrease) in net assets	(117,010)	14,293	78,333	319,900	(38,677)	334,193
Net assets - April 1	<u>2,126,853</u>	<u>2,112,560</u>	<u>8,964,848</u>	<u>8,644,948</u>	<u>11,091,701</u>	<u>10,757,508</u>
Net assets - March 31	<u>\$ 2,009,843</u>	<u>\$ 2,126,853</u>	<u>\$ 9,043,181</u>	<u>\$ 8,964,848</u>	<u>\$ 11,053,024</u>	<u>\$ 11,091,701</u>

# **Charter Township of Flushing**

## **Management's Discussion and Analysis (Continued)**

### **Financial Analysis of the Township's Funds**

As the Township completed the year, its General Fund reported a fund balance of \$488,888. This was an increase of \$63,417 from the prior year.

### **General Fund Budgetary Highlights**

Over the course of the year, the Township amended the budget to take into account events during the year. The Township departments overall stayed below budget. This allowed the General Fund's fund balance to increase from \$425,471 a year ago to \$488,888 at March 31, 2008. The fund balance represents five months of operating expenditures and transfers.

### **Capital Assets**

At the end of 2008, the Township had invested \$8.3 million in capital assets, net of related debt. This amount complies with methods established by the Governmental Accounting Standards Board (GASB) for the implementation of GASB Statement 34. Capital assets as stated in this annual financial report do not include some prior year infrastructure items such as sidewalks and streets. Financial reporting in years before 2005 has not required some infrastructure items to be included with capital assets. Recognizing the problem of having local units gather together all of the required information, GASB has allowed smaller units of government like the Township to report infrastructure assets on a prospective basis only after adopting the new reporting standard.

### **Long-term Debt**

At year end, the Township had a capital lease obligation of \$2,520 outstanding for equipment purchased for governmental activities and compensated absences due employees of \$219,362. Business-type activities (water and sewer services) did not have any long-term debt obligations outstanding at March 31, 2008. Annual debt service requirements for the capital lease are approximately \$2,100 per year, with final payment due in 2010.

### **Limitations on Debt**

The State limits the amount of general obligation debt the Township can issue to 10 percent of the assessed value of all taxable property within the Township's corporate limits. The Township does not have any debt outstanding that is subject to the state limitation as the capital lease obligation is specifically excluded.

### **Contacting the Township's Financial Administration**

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the Township's finances and to demonstrate the Township's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Charter Township of Flushing clerk's department.

## **Basic Financial Statements**

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## **Government-wide Financial Statements**

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# Charter Township of Flushing

## Statement of Net Assets March 31, 2008

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 952,861	\$ 1,428,395	\$ 2,381,256
Investments	-	364,252	364,252
Receivables - Net	258,150	664,169	922,319
Prepaid items	964	-	964
Capital assets - Net:			
Assets not subject to depreciation	193,200	-	193,200
Assets subject to depreciation	1,365,472	6,738,025	8,103,497
Total assets	2,770,647	9,194,841	11,965,488
<b>Liabilities</b>			
Accounts payable	11,628	151,660	163,288
Accrued liabilities	37,879	-	37,879
Unearned revenue	489,415	-	489,415
Noncurrent liabilities:			
Due within one year	93,912	-	93,912
Due in more than one year	127,970	-	127,970
Total liabilities	760,804	151,660	912,464
<b>Net Assets</b>			
Invested in capital assets, net of related debt	1,556,152	6,738,025	8,294,177
Restricted for:			
Garbage collection	16,806	-	16,806
Unrestricted	436,885	2,305,156	2,742,041
Total net assets	\$ 2,009,843	\$ 9,043,181	\$ 11,053,024

The Notes to Financial Statements are an Integral Part of this Statement.

# Charter Township of Flushing

Functions\Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government</b>				
<b>Governmental Activities</b>				
General government	\$ 807,021	\$ 262,584	\$ 792	\$ -
Public safety	1,420,158	57,350	60,656	-
Public works	666,214	474,642	23,355	-
Recreation and culture	165,306	-	22,040	-
Total governmental activities	3,058,699	794,576	106,843	-
<b>Business-type Activities</b>				
Sewer and water	1,183,645	1,150,965	-	24,500
Total business-type activities	1,183,645	1,150,965	-	24,500
Total primary government	<b>\$ 4,242,344</b>	<b>\$ 1,945,541</b>	<b>\$ 106,843</b>	<b>\$ 24,500</b>

## General revenues:

Property taxes  
State-shared revenues  
Investment earnings  
Franchise fees  
Miscellaneous

Total general revenues

## Change in Net Assets

**Net Assets** - Beginning of year, as restated

**Net Assets** - Ending of year

The Notes to Financial Statements are an Integral Part of this Statement.

**Statement of Activities**  
**For the Year Ended March 31, 2008**

Net (Expense) Revenue and Changes in Net Assets		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (543,645)	\$ -	\$ (543,645)
(1,302,152)	-	(1,302,152)
(168,217)	-	(168,217)
(143,266)	-	(143,266)
(2,157,280)	-	(2,157,280)
-	(8,180)	(8,180)
-	(8,180)	(8,180)
(2,157,280)	(8,180)	(2,165,460)
1,155,674	-	1,155,674
727,799	-	727,799
40,323	86,513	126,836
83,966	-	83,966
32,508	-	32,508
2,040,270	86,513	2,126,783
(117,010)	78,333	(38,677)
2,126,853	8,964,848	11,091,701
<b>\$ 2,009,843</b>	<b>\$ 9,043,181</b>	<b>\$ 11,053,024</b>

## **Fund Financial Statements**

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# Charter Township of Flushing

	General	Law Enforcement	Solid Waste
<b>Assets</b>			
Cash and cash equivalents	\$ 352,500	\$ 87,578	\$ 475,788
Accounts receivable	1,424	7,423	-
Due from other funds	22,273	-	-
Due from other governments	128,554	62,651	30,507
Prepaid items	434	530	-
Total assets	<b>\$ 505,185</b>	<b>\$ 158,182</b>	<b>\$ 506,295</b>
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ 4,179	\$ 5,863	\$ 74
Accrued liabilities	12,118	22,958	-
Due to other funds	-	-	-
Deferred revenue	-	-	489,415
Total liabilities	16,297	28,821	489,489
Fund balances:			
Reserved for prepaid items	434	530	-
Unreserved, reported in:			
General Fund	488,454	-	-
Special Revenue Funds	-	128,831	16,806
Total fund balances	488,888	129,361	16,806
Total liabilities and fund balances	<b>\$ 505,185</b>	<b>\$ 158,182</b>	<b>\$ 506,295</b>

The Notes to Financial Statements are an Integral Part of this Statement.

**Governmental Funds  
Balance Sheet  
March 31, 2008**

Other Governmental Funds	Total
\$ 36,995	\$ 952,861
5,318	14,165
-	22,273
22,273	243,985
-	964
<b>\$ 64,586</b>	<b>\$ 1,234,248</b>

\$ 1,512	\$ 11,628
2,803	37,879
22,273	22,273
-	489,415
26,588	561,195

-	964
-	488,454
37,998	183,635
37,998	673,053
<b>\$ 64,586</b>	<b>\$ 1,234,248</b>

# Charter Township of Flushing

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## Reconciliation of the Fund Balance as Reported in the Governmental Balance Sheet to the Statement of Net Assets March 31, 2008

Total Governmental Funds fund balance as reported in the governmental funds balance sheet	\$ 673,053
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds.	1,558,672
Capital lease obligations are not due and payable in the current period and are not reported in the funds.	(2,520)
Employee compensated absences are payable over a long period of years, and do not represent a claim on current financial resources; therefore, they are not reported as fund liabilities.	<u>(219,362)</u>
Net assets of governmental activities	<u><u>\$ 2,009,843</u></u>

The Notes to Financial Statements are an Integral Part of this Statement.



# Charter Township of Flushing

	General	Law Enforcement	Solid Waste
<b>Revenues</b>			
Property taxes	\$ 147,158	\$ 1,005,554	\$ -
Special assessments	-	-	472,557
Licenses and permits	-	-	-
Intergovernmental revenues:			
Federal	-	-	-
State	736,128	3,487	-
Local	-	62,826	-
Charges for services	226,873	-	-
Fines and forfeitures	-	30,607	-
Interest	30,091	10,232	-
Other	38,673	8,973	2,085
Total revenues	1,178,923	1,121,679	474,642
<b>Expenditures</b>			
Current:			
General government	777,117	600	500
Public safety	123,915	1,166,257	-
Public works	159,047	-	493,789
Recreation and culture	11,474	-	-
Capital outlay	2,700	18,950	-
Total expenditures	1,074,253	1,185,807	494,289
Excess (deficiency) of revenues over expenditures	104,670	(64,128)	(19,647)
Other financing sources (uses):			
Transfers in	32,247	-	-
Transfers out	(73,500)	(25,000)	-
Total other financing sources (uses)	(41,253)	(25,000)	-
Net change in fund balances	63,417	(89,128)	(19,647)
<b>Fund Balances</b> - Beginning of year, as restated	425,471	218,489	36,453
<b>Fund Balances</b> - End of year	<b>\$ 488,888</b>	<b>\$ 129,361</b>	<b>\$ 16,806</b>

The Notes to Financial Statements are an Integral Part of this Statement.

**Governmental Funds**  
**Statement of Revenues, Expenditures,**  
**and Changes in Fund Balances**  
**For the Year Ended March 31, 2008**

Other Governmental Funds	Totals
\$ -	\$ 1,152,712
-	472,557
11,707	11,707
42,513	42,513
-	739,615
-	62,826
-	226,873
-	30,607
-	40,323
111,864	161,595
166,084	2,941,328
-	778,217
85,215	1,375,387
-	652,836
112,553	124,027
6,627	28,277
204,395	2,958,744
(38,311)	(17,416)
73,500	105,747
(7,247)	(105,747)
66,253	-
27,942	(17,416)
10,056	690,469
<b>\$ 37,998</b>	<b>\$ 673,053</b>

# Charter Township of Flushing

## Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities For the Year Ended March 31, 2008

Net Change in fund balances as reported in the statement of revenues, expenditures, and changes in fund balance	\$ (17,416)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures; however, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation:	
Capital outlay	22,541
Depreciation expense	(92,634)
Net book value of assets disposed of	(12,789)
Increase in accumulated employee sick and vacation pay and other similar expenses reported in the statement of activities do not require the use of current resources, and therefore are not reported in the fund statements until they come due for payment	(18,488)
Repayment of lease principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	1,776
Change in net assets of governmental activities	<u><u>\$ (117,010)</u></u>

The Notes to Financial Statements are an Integral Part of this Statement.

## **Proprietary Fund**

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# Charter Township of Flushing

## Proprietary Fund Statement of Net Assets March 31, 2008

	Enterprise Fund Sewer and Water
<b>Assets</b>	
Current assets:	
Cash and cash equivalents	\$ 1,428,395
Investments	364,252
Receivables:	
Accounts	47,155
Unbilled	208,368
Special assessments - Current portion	56,767
Tap-in contracts - Current portion	10,618
Accrued interest	14,681
Due from other governments	13,108
Total current assets	2,143,344
Noncurrent assets:	
Capital assets - Net of accumulated depreciation	6,738,025
Special assessments receivable - Long-term portion	272,485
Tap-in contracts receivable - Long-term portion	40,987
Total noncurrent assets	7,051,497
Total assets	9,194,841
<b>Liabilities</b>	
Current liabilities:	
Accounts payable	151,660
Total current liabilities	151,660
<b>Net Assets</b>	
Invested in capital assets, net of related debt	6,738,025
Unrestricted	2,305,156
Total net assets	\$ 9,043,181

The Notes to Financial Statements are an Integral Part of this Statement.

# Charter Township of Flushing

## Proprietary Fund Statement of Revenues, Expenses, and Changes in Net Assets For the Year Ended March 31, 2008

	Enterprise Fund Sewer and Water
<b>Operating Revenues</b>	
Charges for services:	
Water usage fees	\$ 925,840
Sewer treatment fees	195,110
Late charges	30,015
Total operating revenues	<u>1,150,965</u>
<b>Operating Expenses</b>	
Water usage cost	711,912
Sewer treatment cost	121,161
Hydrant service	15,763
Computer billing charges	18,235
Professional fees	4,800
Depreciation	161,546
Pumping station maintenance	16,895
Pumping station utilities	2,830
Administration	114,000
Miscellaneous	16,503
Total operating expenses	<u>1,183,645</u>
Operating loss	<u>(32,680)</u>
<b>Nonoperating Revenues</b>	
Interest on investments	81,136
Interest on tap-in contracts and assessments	5,377
Total nonoperating revenues	<u>86,513</u>
Income before contributions	53,833
<b>Capital Contributions</b>	
Benefit fees	<u>24,500</u>
Change in net assets	78,333
<b>Net Assets - Beginning of year</b>	<u>8,964,848</u>
<b>Net Assets - End of year</b>	<u><u>\$ 9,043,181</u></u>

The Notes to Financial Statements are an Integral Part of this Statement.

# Charter Township of Flushing

## Proprietary Fund Statement of Cash Flows For the Year Ended March 31, 2008

	Enterprise Fund Sewer and Water
<b>Cash Flows from Operating Activities</b>	
Receipts from customers and users	\$ 1,103,594
Payments to vendors	(1,019,906)
Net cash provided by operating activities	83,688
<b>Cash Flows from Capital and Related Financing Activities</b>	
Special assessment collections	66,429
Benefit fees	26,220
Interest received on assessments and tap-in receivables	5,377
Net cash provided by capital and related financing activities	98,026
<b>Cash Flows from Investing Activities</b>	
Purchase of investments	(1,350,000)
Sale of investments	985,748
Interest received on investments	81,136
Net cash used in investing activities	(283,116)
Net decrease in cash and cash equivalents	(101,402)
<b>Cash and Cash Equivalents - Beginning of year</b>	1,529,797
<b>Cash and Cash Equivalents - End of year</b>	<b>\$ 1,428,395</b>
<b>Cash Flows from Operating Activities</b>	
Operating loss	\$ (32,680)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	161,546
Changes in operating assets and liabilities:	
Receivables:	
Accounts	(22,957)
Unbilled	(11,856)
Due from other governments	(12,558)
Accounts payable	2,193
Net cash provided by operating activities	<b>\$ 83,688</b>

The Notes to Financial Statements are an Integral Part of this Statement.

# Charter Township of Flushing

## Balance Sheet Fiduciary Fund March 31, 2008

	Tax Collection Agency Fund
<b>Assets</b>	
Cash and cash equivalents	\$ 14,266
Total assets	<u>\$ 14,266</u>
<b>Liabilities</b>	
Accounts payable	\$ 14,266
Total liabilities	<u>\$ 14,266</u>

The Notes to Financial Statements are an Integral Part of this Statement.



## **Notes to Financial Statements**

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# Charter Township of Flushing

## Notes to Financial Statements March 31, 2008

### Note 1 - Summary of Significant Accounting Policies

The accounting policies of the Charter Township of Flushing (the "Township") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Charter Township of Flushing.

#### A. Reporting Entity

The Charter Township of Flushing was formed in 1838. The Township provides the following services as authorized by law: public safety (police, fire and inspections), highways and streets, sanitation, public improvements, recreation, planning, and general administrative services.

The accompanying financial statements present the Charter Township of Flushing, Michigan. The Township currently does not have any component units.

**Joint Governed Organization** - The Township has entered into a joint agreement with the City of Flushing to share in the operating costs of a senior citizens center for township and city residents. The facility renovation and operation is overseen by a joint building operating committee made up of two appointees from each municipality, and are selected by the city and township members. The joint building committee prepares an annual operating budget which is approved by each municipality. All operating regulations, policies, and rules for the center are determined by the committee and approved by the city and township. Operating expenses will be divided between the city and township based on resident usage records. The City of Flushing acts as the fiduciary agent for the Senior Center. During the current year, the Township's share of the operating costs of the Center was \$7,939. The Township is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future. Separate financial statements for the Senior Citizens Center are not available at June 30, 2007.

#### B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on user fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct* expenses are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

### Note I - Summary of Significant Accounting Policies (Continued)

#### C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be *available* if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The following major revenues sources meet the availability criterion: state-shared revenues and interest associated with the current fiscal period. Conversely, special assessments and federal grant reimbursements will be collected after a period of availability; receivables have been recorded for these, along with a "deferred revenue" liability.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The Township reports the following major governmental funds:

The General Fund is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Law Enforcement Fund accounts for police services provided to Township residents.

The Solid Waste Fund accounts for sanitation services provided to Township residents.

The Township reports the following major proprietary fund:

The Water Supply and Sewer Disposal System. One fund is maintained for the operations of the water distribution system and the sewage pumping and collection system that transport the sewage to Genesee County's treatment plant.

Additionally, the government reports the following fund type:

The Agency Fund accounts for assets held by the Township in a trustee capacity. Agency Funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

# Charter Township of Flushing

## Notes to Financial Statements March 31, 2008

### Note 1 - Summary of Significant Accounting Policies (Continued)

#### C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989 generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. The Township has elected not to follow private-sector standards issued after November 30, 1989 for its business-type activities.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the Township's water and sewer function and various other functions of the Township. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the Township's policy is to first apply restricted resources.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water and Sewer enterprise fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

#### D. Property Taxes

Property taxes are levied on each December 1 on taxable valuation of property as of the preceding December 31. Taxes are considered delinquent on March 1 of the following year, at which time penalties and interest are assessed. Revenues generated by the levy of a 1 percent property tax administrative fee are recognized on a cash basis.

The Township's 2007 tax is levied and collectible on December 1, 2007 and is recognized as revenue in the year ended March 31, 2008, when the proceeds of the levy are budgeted and available for the financing of operations.

The 2007 taxable valuation of the Township totaled \$295,266,816, on which taxes levied consisted of 0.50 mills for operating purposes and 3.4114 mills for police. This resulted in \$147,158 for operating and \$1,005,554 for police. These amounts are recognized in the respective General and Special Revenue Funds financial statements as tax revenue.

A comparison of assessed and taxable property values for the 2007 tax levy is as follows:

	<u>Assessed Value</u>	<u>Taxable Value</u>
Real property	\$360,499,050	\$289,005,550
Personal property	6,261,266	6,261,266
Total	<u>\$366,760,316</u>	<u>\$295,266,816</u>

# Charter Township of Flushing

## Notes to Financial Statements March 31, 2008

### Note 1 - Summary of Significant Accounting Policies (Continued)

#### E. Assets, Liabilities, and Net Assets or Equity

##### 1. Bank deposits and investments

Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with an original maturity of three months or less when acquired. Investments are stated at fair value.

##### 2. Receivables and payables

In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown net of allowance for uncollectible amounts.

##### 3. Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Property, plant, equipment, and infrastructure of the Township are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	20-50
Land improvements	12-60
Vehicles	5
Vehicle equipment	5
Office equipment	5-12
Computer equipment	5
Maintenance equipment	6-12
Water system and waterlines	60
Sewer system	60
Infrastructure	10-20

### **Note 1 - Summary of Significant Accounting Policies (Continued)**

#### **E. Assets, Liabilities, and Net Assets or Equity (Continued)**

##### **4. Compensated absences (vacation and sick leave)**

All full-time Township employees are paid for sick days on an as-needed basis up to a reasonable limit, as determined by management. Sick pay is recorded as an expenditure in the year used. Police officers may accumulate and carryover to the next fiscal year a maximum of 75 days of sick pay. Accumulated and unpaid sick pay liability has been accrued.

Police officers may accumulate and carryover to the next fiscal year no more than one-half of their annual vacation time up to two years. General Township employees are allowed to carryover up to half of their annual vacation time up to two years. Accumulated and unpaid vacation days for police officers and general Township employees have been accrued.

##### **5. Long-term obligations**

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net assets. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. The face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

##### **6. Fund equity**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

##### **7. Use of estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

### **Note 2 - Stewardship, Compliance, and Accountability**

#### **A. Budgetary Information**

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to the beginning of the fiscal year, the supervisor submits to the Township board a proposed operating budget for the fiscal year commencing the following April 1. The operating budget includes proposed expenditures, and the means of financing them, for the General and Special Revenue Funds. Informational summaries of projected revenues and expenses are provided for the Water and Sewer Enterprise Fund.
2. Public hearings are conducted at the Township Hall to obtain taxpayer comments.
3. Prior to April 1, the budget is legally enacted on a departmental level for all budgetary funds through passage of a resolution in accordance with Public Act 621 of the State of Michigan.
4. The supervisor is authorized to transfer budgeted amounts within departmental appropriation accounts; however, any revisions that alter the total expenditures of any department must be approved by the Township board.
5. Formal budgetary integration is employed as a management control device during the year for all budgetary funds. All budgets are adopted on a basis consistent with generally accepted accounting principles except as indicated in item 8 below.
6. Budget appropriations lapse at year end, except for approved contracts and certain federal grants which are appropriated on a contract (grant) length basis.
7. The original budget was amended during the year in compliance with the Township Charter and applicable state laws. The budget amounts reported in the financial statements represent the original and final budgeted expenditures as amended by the Township.
8. The Community Development Special Revenue Fund is budgeted on a project length basis. As a result of this different budget perspective, the Community Development Fund is not included in the special revenue budget to actual statements.

# Charter Township of Flushing

## Notes to Financial Statements March 31, 2008

### Note 2 - Stewardship, Compliance, and Accountability (Continued)

#### B. Construction Code Revenues/Expenditures

The State Construction Code Act, Michigan Public Act 245 of 1999, and rules promulgated by the Department of Treasury regarding that Act, require that a local unit's fees collected from construction code permits be accounted for in a method which shows that all of these fees were used for expenditures related to the operation of the enforcing agency. The rules indicated that if the revenues exceeded the expenditures, the fees collected must be kept in a separate fund with all the revenues and expenditures accounted for in that fund. The Township established a separate fund to account for the activity. Typically, the expenditures exceed the revenues and a transfer from the General Fund is made to cover the excess. The activity related to construction code activity for the year ended March 31, 2008 is as follows:

Shortfall at April 1, 2007	\$ (63,408)
Construction permit revenue	11,707
Expenditures:	
Professional services	<u>(85,215)</u>
Cumulative shortfall at March 31, 2008	<u>\$ (136,916)</u>

### Note 3 - Detailed Notes on All Funds

#### A. Deposits and Investments

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Township has designated three banks for the deposit of its funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and CDs, but not the remainder of state statutory authority as listed above. The Township's deposits and investment policies are in accordance with statutory authority.



# Charter Township of Flushing

## Notes to Financial Statements March 31, 2008

### Note 3 - Detailed Notes on All Funds (Continued)

#### A. Deposits and Investments (Continued)

The Township's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial credit risk of bank deposits:

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. At year end, the Township had \$1,234,142 of bank deposits (certificates of deposit, money market, checking and savings accounts) that were uninsured and uncollateralized. The Township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Township evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Credit Risk:

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The Township has no investment policy that would further limit its investment choices. As of year end, the credit quality ratings of debt securities are as follows:

<u>Investment</u>	<u>Fair Value</u>	<u>Rating</u>	<u>Rating Organization</u>
Bank investment pool	\$1,286,729	Aaa	Moody's

#### B. Receivables

Receivables as of year end for the Township's individual major funds, nonmajor funds, and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

Governmental activities and fiduciary funds:

	<u>General</u>	<u>Law Enforcement</u>	<u>Solid Waste</u>	<u>Nonmajor Government Funds</u>	<u>Total</u>
Receivables:					
Accounts	\$ 1,424	\$ 7,423	\$ -	\$ 5,318	\$ 14,165
Intergovernmental	128,554	62,651	30,507	22,273	243,985
Gross receivables	129,978	70,074	30,507	27,591	258,150
Less allowance for uncollectibles	-	-	-	-	-
Net total receivables	<u>\$ 129,978</u>	<u>\$ 70,074</u>	<u>\$ 30,507</u>	<u>\$ 27,591</u>	<u>\$ 258,150</u>

# Charter Township of Flushing

## Notes to Financial Statements March 31, 2008

### Note 3 - Detailed Notes on All Funds (Continued)

#### B. Receivables (Continued)

Business-type activities:

	<u>Sewer and Water</u>
Receivables:	
Accounts	\$255,523
Interest	14,681
Special assessments	329,252
Tap-in contracts	51,605
Intergovernmental	<u>13,108</u>
Gross receivables	664,169
Less allowance for uncollectibles	<u>-</u>
Net total receivables	<u>\$664,169</u>

Governmental funds report deferred revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	<u>Unearned</u>
Special assessments	\$489,415

#### C. Capital Assets

Capital asset activity for the year ended March 31, 2008 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental Activities</b>				
Capital assets, not being depreciated:				
Land	\$ 193,200	\$ -	\$ -	\$ 193,200
Construction in progress	-	-	-	-
Capital assets, being depreciated:				
Total capital assets not being depreciated	<u>193,200</u>	<u>-</u>	<u>-</u>	<u>193,200</u>
Land improvements	553,220	-	-	553,220
Buildings and building improvements	1,153,265	-	-	1,153,265
Computer equipment	113,761	800	-	114,561
Maintenance equipment	48,441	-	-	48,441
Office equipment	39,191	791	-	39,982
Vehicles	227,326	16,912	(45,356)	198,882
Vehicle equipment	5,408	4,038	-	9,446
Infrastructure	<u>167,004</u>	<u>-</u>	<u>-</u>	<u>167,004</u>
Total capital assets being depreciated	<u>2,307,616</u>	<u>22,541</u>	<u>(45,356)</u>	<u>2,284,801</u>

# Charter Township of Flushing

## Notes to Financial Statements March 31, 2008

### Note 3 - Detailed Notes on All Funds (Continued)

#### C. Capital Assets (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities (Continued)</b>				
Less accumulated depreciation for:				
Land improvements	\$ (146,964)	\$ (28,651)	\$ -	\$ (175,615)
Buildings and building improvements	(348,617)	(24,846)	-	(373,463)
Computer equipment	(105,211)	(3,780)	-	(108,991)
Maintenance equipment	(24,783)	(3,904)	-	(28,687)
Office equipment	(33,403)	(1,824)	-	(35,227)
Vehicles	(177,935)	(16,334)	32,567	(161,702)
Vehicle equipment	(1,331)	(1,429)	-	(2,760)
Infrastructure	(21,018)	(11,866)	-	(32,884)
Total accumulated depreciation	(859,262)	(92,634)	32,567	(919,329)
Net capital assets being depreciated	1,448,354	(70,093)	(12,789)	1,365,472
Governmental activities capital assets, net	\$ 1,641,554	\$ (70,093)	\$ (12,789)	\$ 1,558,672
<b>Business-type Activities:</b>				
Capital assets not being depreciated:				
Construction in progress	\$ -	\$ -	\$ -	\$ -
Total capital assets not being depreciated	-	-	-	-
Capital assets being depreciated:				
Water system	7,333,999	-	-	7,333,999
Waterline	601,459	-	-	601,459
Sewer system	1,589,545	-	-	1,589,545
Machinery and equipment	30,962	-	-	30,962
Total capital assets being depreciated	9,555,965	-	-	9,555,965
Less accumulated depreciation for:				
Water system	(2,050,238)	(122,233)	-	(2,172,471)
Waterline	(270,657)	(10,025)	-	(280,682)
Sewer system	(324,431)	(26,492)	-	(350,923)
Machinery and equipment	(11,068)	(2,796)	-	(13,864)
Total accumulated depreciation	(2,656,394)	(161,546)	-	(2,817,940)
Total capital assets being depreciated, net	6,899,571	(161,546)	-	6,738,025
Business-type capital assets, net	\$ 6,899,571	\$ (161,546)	\$ -	\$ 6,738,025

# Charter Township of Flushing

## Notes to Financial Statements March 31, 2008

### Note 3 - Detailed Notes on All Funds (Continued)

#### C. Capital Assets (Continued)

Depreciation expense was charged to functions/programs of the government as follows:

Governmental activities:	
General government	\$ 22,993
Public safety	24,597
Public works	11,866
Recreation and cultural	<u>33,178</u>
Total - governmental activities	<u>\$92,634</u>
Business-type activities:	
Sewer and water	<u>\$161,546</u>
Total - business-type activities	<u>\$161,546</u>

#### D. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of March 31, 2008 is as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Other governmental funds	\$ 22,273

These balances result from the time lag between the dates the goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

Interfund transfers:

<u>Fund Providing Resource</u>	<u>Fund Receiving Resource</u>	<u>Amount</u>
General Fund	Building Department Fund	\$ 73,500
Community Development	General Fund	7,247
Law Enforcement Fund	General Fund	25,000

The transfer between the General Fund and the Building Department Fund is for operating purposes. The transfer between the General Fund and the Community Development Fund is for operating purposes. The transfer between the General Fund and the Law Enforcement Fund is for repayment of capital expenditures paid for by the General Fund.

# Charter Township of Flushing

## Notes to Financial Statements March 31, 2008

### Note 3 - Detailed Notes on All Funds (Continued)

#### E. Capital Lease

The Township entered into a capital lease for the purchase of a copier. The capital lease is secured by the equipment purchased of \$8,399 for the township general office. The leased asset has been recorded in the governmental capital assets. Future minimum lease payments are as follows:

Year Ending	
2009	\$ 2,172
2010	543
Future minimum lease payments	2,715
Less amount representing interest	195
Capital leases payable at March 31, 2008	<u>\$ 2,520</u>

#### F. Long-term Debt

Long-term liability activity for the year ended March 31, 2008 can be summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Capital leases	\$ 4,296	\$ -	\$ 1,776	\$ 2,520	\$ 1,987
Compensated absences	200,874	110,413	91,925	219,362	91,925
Total governmental activities long-term debt	<u>\$ 205,170</u>	<u>\$ 110,413</u>	<u>\$ 93,701</u>	<u>\$ 221,882</u>	<u>\$ 93,912</u>

### Note 4 - Other Information

#### A. Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries. The Township has purchased commercial insurance coverage for all claims except employee dental benefits. Settled claims for the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years. The Township pays dental and vision claims on a reimbursement basis and has set aside employee and employer contributions to pay these claims in the General Fund. The liability for unpaid claims was immaterial at March 31, 2008.

### Note 4 - Other Information (Continued)

#### B. Deferred Compensation

The Township offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all Township employees, permits them to defer a portion of their current salary until future years. Participation in the plan is optional. The deferred compensation is not available to the employees until termination, retirement, death, or unforeseen emergency. The Township's plan administrator, Nationwide Retirement Solutions and Aetna, has placed the assets of the plan within a restricted trust for the exclusive benefit of employees. As a result, the plan assets are not considered assets of the Township and are not recorded in these financial statements.

#### C. Retirement Plans

Benefit provisions and contributions obligations have been established by the Township board.

Defined benefit plan:

The Township participates in the Michigan Municipal Employees' Retirement System (MERS) which is an agent multiple-employer public employee retirement system (PERS) that is administered by the State of Michigan. The MERS was organized pursuant to Act No. 427, Public Acts of 1984, as amended, and the Constitution of the State of Michigan. The Township has no fiduciary responsibility for the plan. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system as a whole. That report may be obtained by writing to the system at 1134 Municipal Way, Lansing, MI 48917.

##### (a) Plan description:

The pension plan provides pension benefits, deferred allowances, and death and disability benefits for Township employees. Benefits are vested after eight years of service for non-union and after 10 years for police officers and command. Retirement is based on the following requirements:

Age 60 with 10 or more years of credited service,  
Age 50 with 25 or more years of credited service for police officers and command, and  
Age 55 with 15 or more years of credited service for non-union can retire.

Employees who retire after reaching their requirement are entitled to 3.0 percent of the member's three-year final average compensation (FAC) times the number of years and months of credited service for that member. The annual benefit shall not exceed 80 percent of the FAC.

Pension provisions include deferred allowances whereby an employee may terminate employment with the Township after accumulating 10 years of service for police officers and command and eight years of service for non-union but before reaching the age of 60. If the employee does not withdraw his or her accumulated contributions, the employee is entitled to all pension benefits upon reaching retirement age as discussed above.

### Note 4 - Other Information (Continued)

#### C. Retirement Plans (Continued)

(a) Plan description (continued):

Pension provisions include death and disability benefits. A disabled employee is entitled to full benefits after acquiring 10 or more years of credited service, whereas a surviving spouse is entitled to receive an amount equal to 85 percent of the employee's final, three-year average salary. Benefits are determined by state statutes.

Membership in the plan at December 31, 2006, the date of the latest actuarial valuation, is comprised of 14 non-union and 10 police officer and command active members. There were no non-union and two police officer and command inactive vested members, and two non-union and no police officer and command retirants or beneficiaries at December 31, 2006.

(b) Contributions:

The funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due.

(c) Funding method and assumptions:

The plan provides that the employer/employees contribute amounts necessary to fund the actuarially determined benefits. Non-union employees are required to deposit 0 percent and police officers are required to deposit 2.0 percent of all monetary compensation. The Township makes employer contributions in accordance with funding requirements determined by MERS' actuary. The Township's current rate was 24.67 percent non-union, 15.57 percent patrol police officers, and 32.11 percent command police officers of annual covered payroll.

Information as of the latest actuarial valuation follows:

Annual required pension cost	\$252,117
Contributions made	252,117
Actuarial valuation date	December 31, 2006
Actuarial cost method	Entry age normal cost method
Amortization method	Level percent
Remaining amortization period (weighted)	30 years
Asset valuation method	Market
Actuarial assumptions	
Investment rate of return	8.0%
Projected salary increase	4.5%

# Charter Township of Flushing

## Notes to Financial Statements March 31, 2008

### Note 4 - Other Information (Continued)

#### C. Retirement Plans (Continued)

Defined benefit plan:

Defined Benefit Pension Plan Schedule of Funding Progress						
Actuarial Valuation Date	Actuarial Value of Assets [a]	Actuarial Liability Entry Age (AAL) [b]	Unfunded AAL (UAAL) [b-a]	Funded Ratio [a/b]	Covered Payroll [c]	UAAL as % of Covered Payroll [(b-a)/c]
12/31/04	\$1,501,446	\$2,463,464	\$ 962,018	60.9	\$ 981,651	98%
12/31/05	1,765,298	3,086,437	1,321,139	57.2	1,024,139	129
12/31/06	2,135,073	4,195,751	2,060,678	50.9	1,095,014	188

Defined Benefit Pension Plan Three-year Trend Information			
Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
03/31/06	\$170,061	100%	\$ -
03/31/07	257,846	100	-
03/31/08	252,117	100	-

#### D. Other Postemployment Benefits

The Township has elected to provide postemployment healthcare benefits to command unit police officers who reach at least 25 years of seniority and their spouse. The government pays the full cost of coverage for these benefits. Also, the retirees and their spouses must commit to enrolling in Medicare Part B at age 65.

The Township has elected to provide postemployment healthcare benefits to any non-contractual employee retiring after March 31, 2004 with 25 years of service. The retiree must commit to enrolling in Medicare Part B at age 65. The Township will pay the full cost of the retired employee's Medicare Supplement Part B.

Also, the Township has elected to provide postemployment health benefits to certain patrol police officers who retire with at least 25 years of seniority. Effective April 1, 2006, the Township is required to pay no more than \$750 per month per retiree for premiums under the medical/hospitalization insurance plan. Any remaining costs will be borne solely by the retiree. The amount the Township is required to pay shall increase 10 percent each year effective on April 1. In no event shall the Township be required to pay more than the actual cost of the health insurance premium. Also, the retirees and their spouses must commit to enrolling in Medicare Part B when eligible or, at the latest, at age 65.



### Note 4 - Other Information (Continued)

#### D. Other Postemployment Benefits (Continued)

The benefits are provided through private insurers and all premiums are paid when incurred. At March 31, 2007, there is one retiree who is eligible for benefits under the three plans noted above. For the year ended March 31, 2007, the Township made payments for postemployment healthcare premiums of \$1,720.

Upcoming reporting change: The Governmental Accounting Standards Board has recently released Statement Number 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any "other" postemployment benefits (other than pensions). The new rules will cause the government-wide financial statements to recognize the cost of providing retiree healthcare coverage over the working life of the employee, rather than at the time the healthcare premiums are paid. The new pronouncement will be effective for the year ending March 31, 2009.

#### E. Summary Disclosures of Significant Contingencies

The Township participates in the federally assisted Community Development Block Grant program. These grant programs are subject to monitoring by the granting agency. The granting agency has yet to make final approval of the expenditures charged to the grants. The amount, if any, of expenditures which may be disallowed by the granting agency cannot be determined at this time, although management expects such amounts, if any, to be immaterial.

#### F. Commitments

The Township, during fiscal year 2005, entered into a five-year contract with another governmental unit to provide fire protection to the Township. The contract requires quarterly payments of \$28,000 to be made through June 30, 2009.

#### G. Restatement of Net Assets/Fund Balances

Net assets at March 31, 2008 of the government-wide statements and the fund balances at March 31, 2008 of the governmental fund level were changed by the unearned revenue of the Solid Waste Fund for special assessments. The special assessment revenue levied during the fiscal year is not earned until the following fiscal year; therefore, the current year levy has been deferred at the fund level and the government-wide statement for March 31, 2008. The following analysis reports the changes:

	As Previously Reported	Adjustments	Restated Amounts
Fund Balance	\$509,010	\$(472,557)	\$36,453
Net Assets	2,599,410	(472,557)	2,126,853

## **Required Supplemental Information**

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# Charter Township of Flushing

## General Fund Budgetary Comparison Schedule For the Year Ended March 31, 2008

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenues</b>				
Taxes	\$ 142,000	\$ 142,000	\$ 147,158	\$ 5,158
Intergovernmental - state	748,500	748,500	736,128	(12,372)
Charges for services	190,000	209,000	226,873	17,873
Interest	25,500	25,500	30,091	4,591
Other revenue	36,600	36,600	38,673	2,073
Total revenues	1,142,600	1,161,600	1,178,923	17,323
<b>Expenditures</b>				
Current:				
General government:				
Township board	171,600	191,030	171,873	19,157
Supervisor	68,175	74,300	72,999	1,301
Assessor	81,700	86,375	80,937	5,438
Elections	2,500	12,800	12,768	32
Clerk	173,800	178,910	177,948	962
Accounting	60,600	65,935	64,408	1,527
Treasurer	125,550	146,855	142,080	4,775
Township hall and grounds	50,050	57,785	54,104	3,681
Public safety:				
Law enforcement	12,000	12,000	11,915	85
Fire	112,000	112,000	112,000	-
Public works	243,900	214,925	159,047	55,878
Recreation and culture	14,300	13,150	11,474	1,676
Capital outlay:				
General government:	2,300	3,000	1,188	1,812
Public works	1,000	1,600	1,512	88
Total expenditures	1,119,475	1,170,665	1,074,253	96,412
Excess (deficiency) of revenue over expenditures	23,125	(9,065)	104,670	113,735
<b>Other Financing Sources (Uses)</b>				
Transfers in	25,000	25,000	32,247	7,247
Transfers out	(35,000)	(73,500)	(73,500)	-
Total other financing sources (uses)	(10,000)	(48,500)	(41,253)	7,247
Net change in fund balances	13,125	(57,565)	63,417	120,982
<b>Fund Balance - Beginning of year</b>	425,471	425,471	425,471	-
<b>Fund Balance - End of year</b>	<b>\$ 438,596</b>	<b>\$ 367,906</b>	<b>\$ 488,888</b>	<b>\$ 120,982</b>

# Charter Township of Flushing

## Law Enforcement Special Revenue Fund Budgetary Comparison Schedule For the Year Ended March 31, 2008

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenues</b>				
Taxes	\$ 960,000	\$ 960,000	\$ 1,005,554	\$ 45,554
Intergovernmental:				
State	3,050	3,050	3,487	437
Local	87,800	87,800	62,826	(24,974)
Fines and forfeits	36,000	36,000	30,607	(5,393)
Interest	1,200	1,200	10,232	9,032
Other revenue	2,400	2,250	8,973	6,723
Total revenues	1,090,450	1,090,300	1,121,679	31,379
<b>Expenditures</b>				
Current:				
General government:				
Township board	600	600	600	-
Public safety:				
Law enforcement	1,148,861	1,179,205	1,166,257	12,948
Capital outlay:				
Public safety	24,010	22,110	18,950	3,160
Total expenditures	1,173,471	1,201,915	1,185,807	16,108
Excess (deficiency) of revenues over expenditures	(83,021)	(111,615)	(64,128)	47,487
<b>Other Financing Uses</b>				
Transfers out	-	(25,000)	(25,000)	-
Total other financing uses	-	(25,000)	(25,000)	-
Net change in fund balances	(83,021)	(136,615)	(89,128)	47,487
<b>Fund Balance - Beginning of year</b>	218,489	218,489	218,489	-
<b>Fund Balance - End of year</b>	<b>\$ 135,468</b>	<b>\$ 81,874</b>	<b>\$ 129,361</b>	<b>\$ 47,487</b>

# Charter Township of Flushing

## Solid Waste Special Revenue Fund Budgetary Comparison Schedule For the Year Ended March 31, 2008

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenues</b>				
Special assessments	\$ 462,000	\$ 462,000	\$ 472,557	\$ 10,557
Interest	1,200	1,200	-	(1,200)
Other revenue	200	200	2,085	1,885
Total revenues	463,400	463,400	474,642	11,242
<b>Expenditures</b>				
Current:				
General government:				
Township board	500	500	500	-
Public works	480,000	494,500	493,789	711
Total expenditures	480,500	495,000	494,289	711
Net change in fund balances	(17,100)	(31,600)	(19,647)	11,953
<b>Fund Balance - Beginning of year, as restated</b>	36,453	36,453	36,453	-
<b>Fund Balance - End of year</b>	<b>\$ 19,353</b>	<b>\$ 4,853</b>	<b>\$ 16,806</b>	<b>\$ 11,953</b>

# **Charter Township of Flushing**

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## **Note to Required Supplementary Information March 31, 2008**

### **Summary of Significant Accounting Policies - Schedules of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual**

The budgets for the major governmental funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America.

## **Other Supplemental Information**

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# **Charter Township of Flushing**

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## **Nonmajor Governmental Funds Summary Descriptions March 31, 2008**

### **Special Revenue Funds**

#### Parks and Recreation

To account for the activity related to the operation of the Township's nature park.

#### Drug Law Enforcement

This fund is used to account for revenues from the sales of drug confiscated items. Expenditures are restricted to drug enforcement and prevention.

#### Building Department

To account for revenues and expenditures related to the Building Department activities.

#### Community Development

This fund is used to account for federal grant funds that are used for projects suggested by the citizenry.



# Charter Township of Flushing

## Nonmajor Special Revenue Governmental Funds Combining Balance Sheet March 31, 2008

<b>Assets</b>	Parks and Recreation	Drug Law Enforcement	Building Department	Community Development	Totals
Cash and cash equivalents	\$ 33,140	\$ 123	\$ 3,732	\$ -	\$ 36,995
Accounts receivable	5,273	45	-	-	5,318
Due from other governments	-	-	-	22,273	22,273
<b>Total assets</b>	<b>\$ 38,413</b>	<b>\$ 168</b>	<b>\$ 3,732</b>	<b>\$ 22,273</b>	<b>\$ 64,586</b>
<b>Liabilities and Fund Balances</b>					
Liabilities:					
Accounts payable	\$ 1,043	\$ -	\$ 469	\$ -	\$ 1,512
Accrued liabilities	1,276	-	1,527	-	2,803
Due to other funds	-	-	-	22,273	22,273
<b>Total liabilities</b>	<b>2,319</b>	<b>-</b>	<b>1,996</b>	<b>22,273</b>	<b>26,588</b>
Fund balances:					
Unreserved, undesignated	36,094	168	1,736	-	37,998
<b>Total fund balances</b>	<b>36,094</b>	<b>168</b>	<b>1,736</b>	<b>-</b>	<b>37,998</b>
<b>Total liabilities and fund balances</b>	<b>\$ 38,413</b>	<b>\$ 168</b>	<b>\$ 3,732</b>	<b>\$ 22,273</b>	<b>\$ 64,586</b>

# Charter Township of Flushing

## Nonmajor Special Revenue Governmental Funds Combining Statement of Revenues, Expenditures, and Changes in Fund Balances For the Year Ended March 31, 2008

	Parks and Recreation	Drug Law Enforcement	Building Department	Community Development	Totals
<b>Revenues</b>					
Licenses and permits	\$ -	\$ -	\$ 11,707	\$ -	\$ 11,707
Intergovernmental:					
Federal	20,240	-	-	22,273	42,513
Other revenue	111,819	45	-	-	111,864
Total revenues	132,059	45	11,707	22,273	166,084
<b>Expenditures</b>					
Current:					
Public safety:					
Building department	-	-	85,215	-	85,215
Recreation and culture	97,527	-	-	15,026	112,553
Capital outlay	6,627	-	-	-	6,627
Total expenditures	104,154	-	85,215	15,026	204,395
Excess (deficiency) of revenues over expenditures	27,905	45	(73,508)	7,247	(38,311)
<b>Other Financing Sources (Uses)</b>					
Transfers in	-	-	73,500	-	73,500
Transfers out	-	-	-	(7,247)	(7,247)
Total other financing sources (uses)	-	-	73,500	(7,247)	66,253
Net change in fund balances	27,905	45	(8)	-	27,942
<b>Fund Balances - Beginning of year</b>	8,189	123	1,744	-	10,056
<b>Fund Balances - End of year</b>	<b>\$ 36,094</b>	<b>\$ 168</b>	<b>\$ 1,736</b>	<b>\$ -</b>	<b>\$ 37,998</b>

# Charter Township of Flushing

## Nonmajor Special Revenue Governmental Funds Budgetary Comparison Parks and Recreation Fund For the Year Ended March 31, 2008

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Amended		
<b>Revenues</b>				
Intergovernmental:				
Federal	\$ 39,974	\$ 39,974	\$ 20,240	\$ (19,734)
Interest	1,100	1,100	-	(1,100)
Other revenue	89,800	89,800	111,819	22,019
Total revenues	130,874	130,874	132,059	1,185
<b>Expenditures</b>				
Current:				
Recreation and culture	87,750	100,980	97,527	3,453
Capital outlay	40,730	10,730	6,627	4,103
Total expenditures	128,480	111,710	104,154	7,556
Excess of revenues over expenditures	2,394	19,164	27,905	8,741
Net change in fund balances	2,394	19,164	27,905	8,741
<b>Fund Balance - Beginning of year</b>	8,189	8,189	8,189	-
<b>Fund Balance - End of year</b>	<b>\$ 10,583</b>	<b>\$ 27,353</b>	<b>\$ 36,094</b>	<b>\$ 8,741</b>

# Charter Township of Flushing

## Nonmajor Special Revenue Governmental Funds (Continued) Budgetary Comparison Drug Law Enforcement Fund For the Year Ended March 31, 2008

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Amended		
<b>Revenues</b>				
Interest	\$ 10	\$ 10	\$ -	\$ (10)
Other revenue	25	25	45	20
Total revenues	35	35	45	10
<b>Expenditures</b>				
Current:				
Public safety:				
Law enforcement	5	5	-	5
Total expenditures	5	5	-	5
Net change in fund balances	30	30	45	15
<b>Fund Balance - Beginning of year</b>	123	123	123	-
<b>Fund Balance - End of year</b>	<b>\$ 153</b>	<b>\$ 153</b>	<b>\$ 168</b>	<b>\$ 15</b>

# Charter Township of Flushing

## Nonmajor Special Revenue Governmental Funds (Continued) Budgetary Comparison Building Department Fund For the Year Ended March 31, 2008

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Amended		
<b>Revenues</b>				
Licenses and permits	\$ 47,050	\$ 47,050	\$ 11,707	\$ (35,343)
Interest	50	50	-	(50)
Other revenue	50	50	-	(50)
Total revenues	47,150	47,150	11,707	(35,443)
<b>Expenditures</b>				
Current:				
Public safety:				
Building department	81,250	87,400	85,215	2,185
Capital outlay	100	100	-	100
Total expenditures	81,350	87,500	85,215	2,285
Excess of expenditures over revenues	(34,200)	(40,350)	(73,508)	(33,158)
<b>Other Financing Sources</b>				
Transfers in	35,000	73,500	73,500	-
Total other financing sources	35,000	73,500	73,500	-
Net change in fund balances	800	33,150	(8)	(33,158)
<b>Fund Balance - Beginning of year</b>	1,744	1,744	1,744	-
<b>Fund Balance - End of year</b>	<b>\$ 2,544</b>	<b>\$ 34,894</b>	<b>\$ 1,736</b>	<b>\$ (33,158)</b>

# **Charter Township of Flushing**

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**Report to the Board of Trustees**

**March 31, 2008**

To the Board of Trustees  
Charter Township of Flushing

We have recently completed our audit of the basic financial statements of Charter Township of Flushing (the "Flushing Township") for the year ended March 31, 2008. In addition to our audit report, we are providing the following letter of increased audit communications, required audit communication, summary of unrecorded possible adjustments, recommendations, and informational comments which impact the Flushing Township:

	<u>Page</u>
<b>Report on Internal Control</b>	<b>I - 3</b>
<b>Results of the Audit</b>	<b>4 - 7</b>
<b>Informational - Legislative Matters, Etc.</b>	<b>8 - 10</b>

We are grateful for the opportunity to be of service to the Charter Township of Flushing. Should you have any questions regarding the comments in this report, please do not hesitate to call.

## Report on Internal Control

August 27, 2008

To the Board of Trustees  
Charter Township of Flushing

Dear Board Members:

Beginning with last year's audit, national auditing standards call for auditors to communicate matters to the governing body that may be useful in its oversight of the Flushing Township's financial management. Specifically, they require us to report internal control issues to the governing body that may be relatively minor, in order to allow it to evaluate their significance, and make any changes it may deem appropriate. In general, these are items that would have been discussed orally with management in the past. The purpose of these new standards is to allow the governing body an opportunity to discuss issues when they are relatively minor, rather than waiting until they become more serious problems. We hope this report on internal control will be helpful to you, and we look forward to being able to discuss any questions you may have concerning these issues.

In planning and performing our audit of the financial statements of the Charter Township of Flushing as of and for the year ended March 31, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the Flushing Township's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of Flushing Township's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies and/or material weaknesses.



To the Board of Trustees  
Charter Township of Flushing

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiency to be a significant deficiency in internal control.

### **Interfund Transactions and Community Development Block Grant Accounting**

In general, the Township accounted for its activities in accordance with generally accepted accounting principles (GAAP). However, the accounting for certain interfund transactions (i.e., transactions between two or more funds) such as the Community Development Block Grant activity was not recorded properly. Transactions affecting two funds were not always accounted for properly between the two funds resulting in the "due to/due from" accounts not being in agreement at year end. Also, the Township's accounting for CDBG reimbursements from Genesee County, the pass-through grantor, was such that the reimbursements were netted against expenditures rather than being recorded as revenue. This resulted in no balances being reported in the general ledger for CDBG revenues or expenditures. While the Township does not currently have material dollar amounts of interfund transactions or material CDBG grant amounts, the accounting procedures for interfund transactions could result in future reporting errors that could be significant.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe that the significant deficiency noted below is technically a material weakness.

### **Deferred Revenue - Solid Waste Fund**

In the review of the accounting and financial reporting for the revenues related to the assessments for solid waste disposal, we determined that, technically, the revenues for the December 1 assessments should be deferred until the next fiscal year (which begins the subsequent April 1) when the assessments are earned (i.e., when the services will be provided). Previously, the Township recorded the assessments in the year when billed to the residents. The fund balance of the Solid Waste Disposal Special Revenue Fund as well as governmental net assets at the government-wide level was restated to report the revenues in the proper period.

To the Board of Trustees  
Charter Township of Flushing

This communication is intended solely for the information and use of management, the board, and others within the Township and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely yours,

**Plante & Moran, PLLC**

A handwritten signature in black ink, appearing to read "Tadd Harburn", with a stylized circular flourish at the beginning.

Tadd Harburn, CPA

## Results of the Audit

August 27, 2008

To the Board of Trustees  
Charter Township of Flushing

We have audited the financial statements of the Charter Township of Flushing for the year ended March 31, 2008 and have issued our report thereon dated August 27, 2008. Professional standards require that we provide you with the following information related to our audit.

### **Our Responsibility Under U.S. Generally Accepted Auditing Standards**

As stated in our engagement letter dated April 9, 2008, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. We are responsible for planning and performing the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement. As part of our audit, we considered the internal control of the Charter Township of Flushing. Our consideration of internal control was solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters and our audit of the financial statements does not relieve you or management of your responsibilities.

### **Planned Scope and Timing of the Audit**

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on April 9, 2008.

To the Board of Trustees  
Charter Township of Flushing

## **Significant Audit Findings**

### ***Qualitative Aspects of Accounting Practices***

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Charter Township of Flushing are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was changed during the year for solid waste special assessments. The recognition of the revenue for the solid waste special assessment was to recognize the revenue in the year it was assessed, but the assessment was for expense of the next year; therefore, the special assessment should be deferred in the year of assessment. The Charter Township of Flushing deferred the assessment in the current year and restated the fund balance for the prior year's assessment.

We noted no transactions entered into by the Township during the year for which there is a lack of authoritative guidance or consensus.

There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was the useful lives of capital assets.

Useful lives of capital assets are based upon management's estimate of their life. We evaluated the key factors and assumptions used to develop the estimate of the useful lives in determining that it is reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear.

### ***Difficulties Encountered in Performing the Audit***

We encountered no significant difficulties in dealing with management in performing and completing our audit.

To the Board of Trustees  
Charter Township of Flushing

### ***Corrected and Uncorrected Misstatements***

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. There was one uncorrected misstatement of the financial statements identified related to the lack of recording an accrual of interest income at year end in the amount of \$14,681. Management has determined that the effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. The following material misstatements detected as a result of audit procedures were corrected by management: to record deferred revenue and restate fund balance and net assets for solid waste special assessment.

### ***Disagreements with Management***

For the purpose of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### ***Management's Representations***

We have requested certain representations from management that are included in the management representation letter dated August 27, 2008.

### ***Management's Consultations with Other Independent Accountants***

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### ***Other Audit Findings or Issues***

In the normal course of our professional association with the Township, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, business conditions affecting the Township, and business plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition of our retention as the Township's auditors.

To the Board of Trustees  
Charter Township of Flushing

This information is intended solely for the use of the board of trustees and the management of Charter Township of Flushing and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely yours,

**Plante & Moran, PLLC**

A handwritten signature in black ink, appearing to read "Tadd Harburn", written in a cursive style.

Tadd Harburn, CPA

## **Informational**

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### Informational/Legislative Comments

#### Treasurer's Report on Investments

A new law was passed in December 2007 for reporting on investments to the board. The treasurer is now required to report on investments at least quarterly. While the law proscribes no minimum information requirements, we feel that the report should include a list of investments with the financial institution each issued through, the amount, and perhaps the stated interest rate.

#### Property Tax Revenue

Property taxes have consistently been the Township's largest revenue source. With the continuing downturn in the real estate market, the Legislature is picking up some bills that were proposed back in 2007 that they hope will help spur sales. This includes potential legislation that would adjust the mechanics of the general property tax act. The nature of the legislation has ranged from the suspension of the "pop-up" or increase in taxable value that occurs when a property sells or a "super cap" on taxable value that prohibits an increase in taxable value when market values are declining. The outcome of this legislation could also have a significant impact on the Township. We will keep you informed as significant events unfold.

In addition, the Township needs to be aware of the potential financial impact of reduced housing market values. Property tax assessments were finalized in May for the 2008 tax year. However, early indications are that declines in market values (state equalized value) may threaten the inflationary growth in taxable value that communities had been experiencing following the passage of Proposal A. It is important to understand the connection between market value declines and taxable value declines. On the one hand, a reduction in SEV (state equalized value) will not immediately result in an equivalent reduction in TV (taxable value, which is what the tax bills are now based on). The reason for this is that TVs were held down in those years since 1994 when property values increased faster than inflation; now that they are increasing less than inflation (or decreasing), Proposal A allows the TVs to continue increasing at the inflationary rate, up until the point that TV meets SEV. While some properties have already met this ceiling, the majority have not, and for this reason many communities expect 2008 TV in total to increase or decrease only slightly. However, it is important to understand that if the market downturn continues, more and more properties will hit this ceiling where TV meets SEV, and the impact will be more drastic each year we go forward. We caution the Township to keep this in mind as it begins its 2009 budget deliberations.



# **Charter Township of Flushing**

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## **Informational (Continued)**

### **State-shared Revenue**

The governor released her proposal of the State's fiscal year 2009 budget (for the year ending September 30, 2009) originally in February 2008. Over the course of budget deliberations in the spring and early summer, the Legislature further debated the level of the revenue-sharing funding, resulting in a compromise by the Senate and House to fund revenue sharing equal to the projected fiscal year 2008 (fiscal year ending September 30, 2008) amounts, plus provide an increase of 2 percent of the statutory portion of revenue sharing received in fiscal year 2007. This proposal was presented to the governor on July 25 and is awaiting her signature.

### **Retiree Healthcare Benefits**

The Township currently provides health care to retirees and their beneficiaries that qualify. New accounting rules (GASB 45) will require the Township to measure the cost of this benefit over the time period that employees provide the services. These rules would require the Township to measure the annual cost that would be required to fully fund this benefit, with a maximum amortization period of 30 years, and to report a liability for any amount of annual required contribution not funded. The annual required contribution would need to be determined by an actuary or internally by management using actuarial concepts. We have already discussed the requirements with the Township treasurer and understand that steps have been taken to begin the process to address this new standard.

### **Long-range Financial Planning**

In light of all these and other developments and the continued uncertainty with the State's budget, we recommend that the Township implement the practice of long-range financial planning. We suggest that a five-year forecast (budget) be developed and modified each year.

### **Closing**

We would like to thank the Township board for the opportunity to serve as auditors for the Township. We would also like to express our appreciation for the courtesy and cooperation extended to us by the administration during the audit. If you would like to discuss any of these matters, or would like assistance in their implementation, please contact us.